

MORNING REPORT

As at 8.48 AM 13/02/2019

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Top News

NZ dollar trends water as investors eye Reserve Bank rate review

The New Zealand dollar was largely unchanged ahead of today's Reserve Bank policy review, which economists predict will echo sentiments overseas for rates to be held lower for longer.

The kiwi traded at 67.33 US cents as at 8am in Wellington from 67.29 cents yesterday. The trade-weighted index decreased to 73.08 from 73.21 yesterday.

Reserve Bank governor Adrian Orr is expected to keep the official cash rate at 1.75 percent in today's monetary policy statement. However, economists anticipate a more dovish tone in the statement after Australian and US central bankers pared back expectations for higher rates. Traders have responded by pricing in a cut to the OCR over the coming 12 months.

"We are expecting a more dovish statement than that released in November in light of the slowdown in global growth and increased downside risks (much as that the RBA alluded to last week), but not one as dovish as that priced-in by the market," Bank of New Zealand interest rate strategist Nick Smyth said in a note.

The kiwi was left behind by other risk-sensitive currencies after investors were buoyed by news that US policymakers had reached an in-principle agreement to avoid another Federal government shutdown. Stocks on Wall Street gained, with the Standard & Poor's 500 Index up 1.4 percent in late trading.

NZ shares gain as power companies Meridian, Genesis, Mercury buoyed by low rate outlook

New Zealand shares gained as growing bets for an interest rate cut by the Reserve Bank stoked demand for utility companies such as Mercury NZ, Meridian Energy and Genesis Energy with steady dividends.

The S&P/NZX 50 index rose 70.77 points, or 0.8 percent, to 9,280.77. Within the index, 33 stocks gained, nine fell and eight were unchanged. Turnover was \$187.6 million, of which Spark New Zealand accounted for \$62.5 million.

Stocks across Asia rose after US legislators reached an in-principle funding deal to avoid another Federal government shutdown. Australia's S&P/ASX index was up 0.3 percent in afternoon trading, while Japan's Topix gained 2.2 percent and China's Shanghai Composite Index rose 0.7 percent.

"There's a bit of optimism around the Americans putting together something to avoid the shutdown at the end of the week," said Mark Lister, head of private wealth research at Craigs Investment Partners.

The Reserve Bank's policy review tomorrow also supported the local market today, as traders increasingly price in lower interest rates over the coming year. Lister said that boosted companies with "highly attractive and sustainable dividend yields" such as the electricity generator-retailers, property stocks and other utilities.

NZX Index			
Index	Last	Change	
S&P/NZX All Index	10,057.89	73.55	▲ 0.74%
S&P/NZX 50 Index	9,280.77	70.77	▲ 0.77%
S&P/NZX MidCap Index	26,799.54	154.88	▲ 0.58%
S&P/NZX SmallCap Index	57,827.62	14.38	▲ 0.02%
S&P/NZAX All Index	557.55	0.00	▼ 0.00%

ASX Index			
Index	Last	Change	
ASX All Ordinaries	6,148.70	20.10	▲ 0.33%
S&P/ASX 200	6,079.10	18.30	▲ 0.30%
ASX Small Ordinaries	2,683.70	13.30	▲ 0.50%
S&P/ASX MIDCAP 50	6,550.70	46.80	▲ 0.72%
S&P/ASX 20	3,389.90	3.50	▲ 0.00%

Foreign Markets Index			
	Last	Change	
S&P 500	2,746.78	36.98	▲ 1.36%
Dow Jones	25,434.29	381.18	▲ 1.52%
NASDAQ Composite	7,416.55	108.64	▲ 1.49%
DAX	11,126.08	111.49	▲ 1.01%
ASX All Ordinaries	6,148.70	20.10	▲ 0.33%
NIKKEI 225	20,864.21	531.04	▲ 2.61%
HANG SENG INDEX	28,171.33	27.49	▲ 0.10%

Currencies (per NZ\$ 1.00)			
	Last	Change	
AUD	0.9490	0.0043	▼ 0.45%
USD	0.6737	0.0004	▲ 0.06%
CNY	4.5630	0.0090	▼ 0.20%
EUR	0.5944	0.0027	▼ 0.45%
CAD	0.8922	0.0033	▼ 0.37%
GBP	0.5222	0.0013	▼ 0.25%
JPY	74.4385	0.1315	▲ 0.18%

NZ Interest Rates		
	Last	Change
NZ OCR	1.75	
3-month Bank Bill	1.94	
5-year Swap	1.96	
10-year Swap	2.39	

Commodities Futures			
	Last	Change	
Gold	1,314.40	2.50	▲ 0.19%
Silver	15.69	0.00	▲ 0.00%
Crude Oil	53.08	0.67	▲ 1.28%

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